



## **CLOSING & DISPOSAL OF PROPANE AIR PEAK SHAVING PLANT**

The City's Propane Air Natural Gas Peak Shaving Plant was constructed in 1968. The plant was to be operated whenever the City's daily natural gas demand was expected to exceed Danville's maximum daily transportation space allotment on Transco's pipeline. The plant was used to mix propane vapor with air for short-term production of a substitute natural gas equivalent fuel. The supplemental propane air mixture was then injected into the natural gas system and mixed with the natural gas to meet the City gas system's daily demand while keeping the amount of gas required from Transco within the daily contract limit.

After the 2003 – 2004 heating season, discussions were held regarding the need to upgrade some of the plants components, such as controls and automatic valves, as well as painting tanks or closing of the plant. A decision was made to close the plant and sell the remaining propane, tanks and equipment. Items considered were:

- At the time the plant was built, the Transco interstate pipeline was fully allocated. Transco provided gas transportation and gas supply as a package deal. Customers were locked into operating within their individual contract quantities. The natural gas supply operating environment has changed since 1968 and is much more flexible with many options available. Gas transportation and gas supply are now handled under separate contracts. The plant was no longer needed to fulfill its original purpose.
- The plant was used only one time between 1998 and 2004. During that operation, the plant had to be shut down due to a propane leak.
- The plant was operated on peak demand days taking operating personnel away from their primary responsibilities at times when they were most needed by the distribution system.
- Cost to update the controls, replace some of the automatic valves and paint the tanks would cost approximately \$60,000.
- Municipal natural gas distribution operations in Charlottesville, Richmond, Shelby, NC, and Southwest Virginia Gas Co. in Martinsville have closed their propane plants for reasons similar to those noted above.

The propane and tanks were sold by sealed bids (IFB 03/04-113) on March 15, 2004. 294,197 gallons of propane was sold to Highland Propane at \$.512 per gallon for a total sale of \$150,628.86. The 14-30,000 gallon tanks were sold to Total Energy Corp. for \$211,010.19. The City had \$148,535.35 of propane in inventory at the time of the sale.

At this time, all tanks are empty and the purchaser has removed twelve of the 14 tanks from the site. Still remaining to be sold are three air compressors, two boilers, and miscellaneous controls, valves, and piping. Danville Utilities is recommending retaining the property at this time due to its proximity to both the natural gas supply lines and electric transmission lines for possible future use as an electrical generating plant or natural gas storage facility.